



Attachment
Sequence No. 2

2003

SCHEDULES 1 & 2

See instructions.
Enclose with your Form 1040ME

0302112₀₀

Name(s) as shown on Form 1040ME

Your Social Security Number

SCHEDULE 1 — INCOME MODIFICATIONS

1 ADDITIONS to federal adjusted gross income.

- a Income from municipal and state bonds, other than Maine 1a _____ , _____ , _____
- b Net Operating Loss Recovery Adjustment (Attach a schedule showing your calculation) 1b _____ , _____ , _____
- c Maine State Retirement Contributions 1c _____ , _____ , _____
- d Fiduciary Adjustment - additions only (Attach a copy of your federal Schedule K-1) 1d _____ , _____ , _____
- e Bonus Depreciation and Section 179 Add-back (See instructions) 1e _____ , _____ , _____
- f Other (See instructions). List the type and amount of income items included (attach supporting documentation) 1f _____ , _____ , _____
- g Total additions (Add lines 1a through 1f) 1g _____ , _____ , _____

2 SUBTRACTIONS from federal adjusted gross income.

- a U.S. Government Bond interest included in federal adjusted gross income 2a _____ , _____ , _____
- b State Income Tax Refund (Only if included in federal income) 2b _____ , _____ , _____
- c Social Security and Railroad Retirement Benefits included in federal adjusted gross income (See instructions) 2c _____ , _____ , _____
- d Pension Income Deduction (Complete and attach the worksheet on back) 2d _____ , _____ , _____
- e Interest from Maine Municipal General Obligation Bonds included in federal adjusted gross income 2e _____ , _____ , _____
- f Premiums for Long-Term Care Insurance (Do not include health insurance premiums on this line) (See instructions). **NOTE: If you itemize deductions, complete and attach worksheet on back** ... 2f _____ , _____ , _____
- g Maine State Retirement System Pick-Up Contributions paid to the taxpayer during 2003 which have been previously taxed by the state 2g _____ , _____ , _____
- h Federal Work Opportunity Credit 2h _____ , _____ , _____
- i **Fiduciary Adjustment-deductions only** (Attach a copy of your federal Schedule K-1) 2i _____ , _____ , _____
- j Other. List _____ (See instructions) 2j _____ , _____ , _____
(Nonresidents and Part-year residents - Do not enter non-Maine income)
- k Total Subtractions (Add lines 2a through 2j) 2k _____ , _____ , _____

3 **Net Modification** (Subtract line 2k from line 1g — enter here and on 1040ME, page 1, line 15 [May be a negative amount]) 3 _____ , _____ , _____

SCHEDULE 2 — ITEMIZED DEDUCTIONS

- 4 Total itemized deductions from federal Form 1040, Schedule A, line 28 4 _____ , _____ , _____
- 5 a Income taxes imposed by this state or any other taxing jurisdiction included in line 4 above from federal Form 1040, Schedule A, line 5. (See instructions if Form 1040ME, line 14 exceeds \$139,500 [\$69,750 if Married Filing Separately]) 5a _____ , _____ , _____
- b Deductible costs, included in line 4 above, incurred in the production of Maine exempt income (See instructions) 5b _____ , _____ , _____
- c Amounts included in line 4 that are also being claimed for the Family Development Account Credit on Maine Schedule A, line 23 5c _____ , _____ , _____
- d Amount included in line 4 attributable to income from an ownership interest in a flow-through entity financial institution 5d _____ , _____ , _____
- 6 Deductible costs of producing income exempt from federal income tax, but taxable by Maine (See instructions) 6 _____ , _____ , _____
- 7 Line 4 minus lines 5a, b, c, and d plus line 6. Enter result here and on 1040ME, page 1, line 17 7 _____ , _____ , _____

Note: If the amount on line 7 is less than your allowable standard deduction, use the standard deduction.
If Married Filing Separately, however, both spouses must either itemize or use the standard deduction.



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2003 - Worksheet for Pension Income Deduction - Schedule 1, Line 2d

Enclose this Worksheet and copies of your 1099 form(s) with your Form 1040ME

You and your spouse (if married) may each deduct up to \$6,000 of eligible pension income* that is included in your federal adjusted gross income. Except for military pension benefits, the \$6,000 cap must be reduced by any social security and railroad retirement benefits received, whether taxable or not.

Deductible pension income includes state, federal, and military pension benefits as well as retirement benefits received from plans established and maintained by an employer for the benefit of its employees under Internal Revenue Code (IRC) sections 401(a) (Qualified Pension Plans, including qualified 401 SIMPLE plans), and 403 (Employee annuities). Deductible pension income also includes benefits received under IRC section 457(b) (State and local government/tax exempt organizations/eligible deferred compensation plans), **except that pension income from 457(b) plans received prior to age 55 that is not part of a series of equal periodic payments made over the life of the recipient and the recipient's designated beneficiary, if applicable, may not be included in the deductible pension amount.**

Pension benefits that **do not qualify** are those received from an individual retirement account (including SIMPLE individual retirement accounts), simplified employee pension plan, benefits from an ineligible deferred compensation plan under IRC section 457(f), refunds of excess contributions, lump-sum distributions included on federal Form 4972, and distributions subject to the additional 10% federal tax on early distributions (see federal Form 5329, Part 1, or federal Form 1040, line 57). Also, disability benefits reported as wages on your federal income tax return do not qualify.

***Eligible pension income does not include benefits earned by another person, except in the case of a surviving spouse. Only the individual that earned the benefit from prior employment may claim the pension income for the deduction. However, a widowed spouse receiving survivor's benefits under an eligible pension plan may claim that amount for purposes of this deduction, but the total pension deduction for the surviving spouse may not exceed \$6,000.**

NOTE: Enter eligible non-military pension benefits on line 1 and eligible military pension benefits on line 6.

		Taxpayer	Spouse*
1. Total eligible non-military pension income (both Maine and non-Maine sources) included in your federal adjusted gross income (from federal form 1040A, line 12b or Form 1040, line 16b). <i>(Do not include social security or railroad retirement benefits received or pension benefits received from an individual retirement account, simplified employee pension plan, an ineligible deferred compensation plan under IRC § 457(f), lump-sum distributions included on federal Form 4972, distributions subject to the additional 10% federal tax on early distributions or refunds of excess contributions).</i>	1.	\$	\$
2. Maximum allowable deduction	2.	\$ 6,000.00	\$ 6,000.00
3. Total social security and railroad retirement benefits you received - whether taxable or not	3.	\$	\$
4. Subtract line 3 from line 2 (if zero or less, enter zero)	4.	\$	\$
5. Enter the smaller of line 1 or line 4 here	5.	\$	\$
6. Total eligible military pension income	6.	\$	\$
7. Add line 5 and line 6	7.	\$	\$
8. Enter the smaller of line 2 or line 7 here and the total for both spouses on Schedule 1, line 2d or 1040S-ME, line 14	8.	\$	\$

***Use this column only if filing a married-joint return and only if spouse separately earned an eligible pension.**

2003 WORKSHEET for Maine Schedule 1, line 2f

For individuals claiming a deduction for long-term care insurance premiums. Do not complete if you are **not** claiming Maine itemized deductions or if federal Schedule A, line 4 is zero.

1. Enter total amount of long-term care insurance premiums paid during 2003: \$
2. Enter amount from federal Schedule A, line 1 \$ _____
3. Enter amount of long-term care premiums included in line 2 above \$ _____
4. Divide line 3 by line 2 — . — — — —
5. Enter amount from federal Schedule A, line 4 \$ _____ and multiply by percentage on line 4 above \$ _____
6. Subtract line 5 from line 1. Enter result here and on Schedule 1, line 2f \$ _____

2003 WORKSHEET for Maine Schedule 2, line 5a

For individuals whose federal adjusted gross income exceeds \$139,500 [\$69,750 if Married filing separate].

1. Enter total state and local income taxes (from federal Schedule A, line 5) \$ _____
2. Enter federal itemized deductions subject to 3% reduction (from federal itemized deduction worksheet, line 3) ... \$ _____
3. Divide line 1 by line 2. Enter result here — . — — — —
4. Enter federal itemized deductions disallowed (from federal itemized deduction worksheet, line 9) \$ _____
5. Multiply line 4 by the percentage on line 3. Enter result here \$ _____
6. Subtract line 5 from line 1. Enter result here and on Schedule 2, line 5a \$ _____